

# Majority Message

## U.S. SENATE REPUBLICAN CONFERENCE

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Senator Rick Santorum, Chairman

Senator Kay Bailey Hutchison, Vice Chairman

### War on Terror and the Economy



Tuesday, July 20, 2004

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# Steady Progress in the War on Terror

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## *Three Years Ago:*

- **In Afghanistan, al Qaeda was training and sending out thousands of terrorists.** Afghanistan was ruled by the Taliban, one of the most backward and brutal regimes in modern history. With the protection of the Taliban, al Qaeda and its associates trained, indoctrinated, and sent forth thousands of killers to set up terror cells in dozens of countries, including our own.
- **Pakistan had a significant al Qaeda presence.** Al Qaeda was active and recruiting in Pakistan and was not seriously opposed. Pakistan served as a transit point for al Qaeda terrorists leaving Afghanistan on missions of murder. The United States had imposed sanctions on Pakistan because of their nuclear program, and there was a concern that Islamic extremists might take over a military armed with nuclear weapons.
- **Saudi Arabia was a major area of support for al Qaeda.** Terrorists were well established in Saudi Arabia. Fundraisers and other facilitators in that country gave al Qaeda financial and logistical help — with little scrutiny or opposition. Fifteen of the 19 hijackers who would attack our country on 9/11 came from Saudi Arabia.
- **In Iraq, Saddam Hussein, a sworn enemy of America, was in power.** He oversaw one of the bloodiest regimes of the 20th century, had started two wars, produced and used WMD against Iran and the Kurds, and was in repeated violation of U.N. Security Council resolutions. He had offered \$25,000 to the families of suicide bombers in Israel, and was providing safe-haven and support for terrorists like senior al Qaeda associate Abu Musab al-Zarqawi.
- **Nuclear weapons technology was being sold to countries like Iran, North Korea, and Libya.** Pakistani scientist A.Q. Khan, who put Pakistan's nuclear program in place, had established a proliferation network that was providing nuclear weapons technology to rogue states. Libya's Moammar Ghadafi was the network's biggest customer.
- **For years, terrorists had attacked the United States with relative impunity.**
  - First attack on the World Trade Center in 1993
  - Attack on Khobar Towers in Saudi Arabia in 1996
  - U.S. embassies in Kenya and Tanzania in 1998
  - USS Cole in 2000

**Three years later under the leadership of President Bush and Vice President Cheney:**

- **In Afghanistan, the terror camps are closed, and Osama bin Laden is on the run.** A new government has been established under President Hamid Karzai, a constitution has been written, and free elections will be held this fall. A nation is being rebuilt, a threat has been removed, and the American people are safer.
- **Pakistani forces are rounding up terrorists on their border and working with us.** President Musharraf has become a friend of the U.S., providing support for our operations and helping us capture Khalid Sheik Mohammad, the operational planner of 9/11. Pakistan is now an ally in the war on terror— and the American people are safer.
- **Saudi Arabia is now working closely with the United States to root out al Qaeda.** Since 9/11 and the attacks in Riyadh, the Saudi government has been working hard to shut down the facilitators and financial supporters of terrorism. The government has captured or killed many first tier leaders of the al Qaeda organization in Saudi Arabia. Because Saudi Arabia has joined the war on terror, the American people are safer.
- **In Iraq, our coalition removed a declared enemy of the United States.** Saddam Hussein is in jail. His government is gone, and sovereignty has been passed to a new interim government. Free elections will be held by next January. While a continuing U.S. and coalition presence will be required in Iraq, the Iraqis themselves are taking on more and more responsibility for their own country. Because we ended the violent regime of Saddam Hussein, and are helping to establish democracy in its place, the American people are safer.
- **We have ended one of the most dangerous sources of nuclear proliferation.** A.Q. Kahn's network is being dismantled. Libya's Ghadafi has given up his nuclear ambitions — turning over all his weapons of mass destruction materials, and because he has, the American people are safer.
- **Today, because America has acted and we have led, the forces of terror and tyranny have suffered defeat after defeat — and American and the world are safer.** We still have more work to do. We will continue to *defend the peace* by taking the fight to the enemy, *protect the peace* by working with other countries and international institutions to confront terrorism, and *extend the peace* by supporting the rise of democracy — as the alternative to hatred and terror in the broader Middle East.

# Key Findings of the Butler Report on British Intelligence

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Last week, an independent panel in Britain, led by Lord Butler, released its report (*Review of Intelligence on Weapons of Mass Destruction*) about the intelligence leading up to the war in Iraq. Among the key findings:

**The Butler Report found that Saddam Hussein's regime intended to resume its illegal weapons programs and was taking steps to do so. These actions would have been a material breach of UN Security Council Resolution 1441.**

*We have reached the conclusion that prior to the war the Iraqi regime:*

- a. Had the strategic intention of resuming the pursuit of prohibited weapons programmes, including if possible its nuclear weapons programme, when United Nations inspection regimes were relaxed and sanctions were eroded or lifted.*
- b. In support of that goal, was carrying out illicit research and development, and procurement, activities, to seek to sustain its indigenous capabilities.*
- c. Was developing ballistic missiles with a range longer than permitted under relevant United Nations Security Council resolutions. (Paragraph 474)*

**The Butler Report found claims about Iraqi attempts to buy uranium from Africa to be “well-founded.”**

*We conclude that, on the basis of the intelligence assessments at the time, covering both Niger and the Democratic Republic of Congo, the statements on Iraqi attempts to buy uranium from Africa in the Government's dossier, and by the Prime Minister in the House of Commons, were well-founded. By extension, we conclude also that the statement in President Bush's State of the Union Address of 28 January 2003 that:*

*The British Government has learned that Saddam Hussein recently sought significant quantities of uranium from Africa was well-founded. (Paragraph 499)*

**The Butler Report declares that it would be “premature” and “rash” to conclude that Iraqi chemical and biological stocks or prohibited missiles do “not exist or will never be found.”**

*Even now it would be premature to reach conclusions about Iraq's prohibited weapons. Much potential evidence may have been destroyed in the looting and disorder that followed the cessation of hostilities. Other material may be hidden in the sand, including stocks of agent or weapons. We believe that it would be a rash person who asserted at this stage that evidence of Iraqi possession of stocks of biological or chemical agents, or even of banned missiles, does not exist or will never be found. (Paragraph 474)*

**The Butler Report found that many countries agreed on the basic intelligence about Iraq's WMD programs.**

*[T]he broad conclusions of the UK intelligence community (although not some particular details) were widely shared by other countries.” (Paragraph 457)*

**The Butler Report found neither evidence that policymakers in the Blair government distorted intelligence, nor any evidence that the intelligence was “pulled in any particular direction” to match the viewpoint of senior officials.**

*[W]e have found no evidence of deliberate distortion or of culpable negligence. (Paragraph 449, Conclusion 21)*

*[W]e found no evidence that JIC (Joint Intelligence committee) assessments and the judgements inside them being pulled in any particular direction to meet the policy concerns of senior officials on the JIC. (Paragraph 450)*

USA Today, July 16, 2004

## U.S., world clearly are safer



By Condoleezza Rice

Lord Butler's panel released a report this week on the accuracy of Britain's intelligence prior to the Iraq war. It is the latest addition to a list of investigations, including those by former U.S. weapons inspector David Kay and the Senate Intelligence Committee.

None disputes that Saddam Hussein had contacts with and ties to terrorists. None disputes that he possessed weapons of mass destruction (WMD), used them against innocents, desired to resume their production and had capabilities that would have let him do so over time. None disputes his 12-year history of deceit, obstruction of United Nations weapons inspections or material breach of multiple U.N. Security Council resolutions. And no one disputes his failure to prove he had destroyed his WMD stockpiles as required by U.N. Resolution 1441.

In choosing a course of action in Iraq, President Bush had to consider these facts and answer simple questions: Could the international community continue to accept Saddam's 12-year defiance of its will, or would the world be safer if the word of the United Nations were seen to count and have consequences? Could the U.S., in the post-9/11 world, continue to hope for the best from Saddam, or would America be safer with his removal? The president and an international coalition concluded that Saddam had to go, and events since his removal have proved this judgment right. Iraq is no longer supporting terrorists, threatening the region or pursuing WMD.

Our efforts in Iraq have been critical to success in the global war on terror. Afghanistan today is an emerging democracy, no longer providing sanctuary to al-Qaeda. Libya's Moammar Gadhafi has surrendered his nuclear-weapons program. Pakistani scientist Abdul Qadeer Khan's secret nuclear-proliferation network, which sold technology and know-how to some of the world's most dangerous regimes, has been exposed. And the governments of Saudi Arabia and Pakistan are U.S. allies in the fight to root out terrorism. All of these developments have made America and the world safer places.

As democracy gains in Iraq and Afghanistan, we are reminded that no democratic nation in the world threatens America. Saddam's removal has advanced peace and democracy throughout the broader Middle East. America and the world are clearly safer with this tyrant in the jail cell he has earned.

*Condoleezza Rice is President Bush's national security adviser*

# The Washington Times

## British report links al Qaeda, Baghdad

By Bill Gertz  
THE WASHINGTON TIMES  
Published July 15, 2004

A British government report made public yesterday provides new information showing that al Qaeda terrorists had contacts with Iraqi intelligence in developing chemical arms and that the group worked with a Pakistani nuclear weapons scientist.

The special report by former top civil servant Robin Butler on British prewar intelligence found gaps in reporting on Iraq's weapons and also disclosed new details of terrorist activities of al Qaeda associate Abu Musab Zarqawi, who is leading attacks in post-Saddam Hussein Iraq.

On al Qaeda's efforts to obtain nuclear arms, the report stated that Osama bin Laden set up a laboratory in Afghanistan in 1999 and that a former Pakistani nuclear scientist, Bashir Mahmoud, was "associated with the Taliban or al Qaeda."

For al Qaeda's chemical arms development, the report said, intelligence reports from 1999 identified al Qaeda member Abu Khabbab as "an explosives and chemicals expert who ran training courses which included information on how to make and use poisons."

Those reports were confirmed after the ouster of the Taliban, when U.S. troops found videos showing chemical arms tests on animals and chemical arms training manuals.

The British report also said Khabbab was developing biological agents, a claim that was confirmed by the discovery of a laboratory in Kandahar and evidence that scientists had been recruited for weapons work.

A March 2003 British intelligence report stated that Zarqawi "has established sleeper cells in Baghdad, to be activated during a U.S. occupation of the city."

"These cells apparently intend to attack U.S. targets using car bombs and other weapons," the report said, noting that "it is also possible that they have received [chemical-biological] materials from terrorists in the [Kurdish Autonomous Zone]."

The report also said that “al Qaeda-associated terrorists continued to arrive in Baghdad in early March.”

The report traced the history of intelligence on al Qaeda’s interest and actions in seeking chemical, biological and nuclear weapons from the late 1990s.

A January 2000 intelligence report stated that bin Laden in the autumn of 1999 “had recruited ... chemicals specialists.”

“Our assessment remains that [bin Laden] has some toxic chemical and biological materials and an understanding of their utility as terrorist weapons. But we have yet to see hard intelligence that he possesses genuine nuclear material.”

Then after the September 11 terrorist attacks, British intelligence warned that bin Laden’s suicide-attack philosophy “had changed the calculus of threat.”

The spy service concluded that terrorists now sought to “cause casualties on a massive scale, undeterred by the fear of alienating the public or their own supporters” that had been a constraining factor in the 1990s, the report said.

“In the context of [bin Laden’s] jihad, casualties and destruction could be an end in themselves as much as a means to an end,” the report said, quoting a 2001 intelligence report. “He has no interest in negotiation and there is no indication that he can be deterred.”

British intelligence assessments of connections between al Qaeda and Saddam’s government were similar to U.S. intelligence assessments, the report said, adding that there were “contacts between al Qaeda and the Iraqi Directorate General of Intelligence since 1998.”

“Those reports described al Qaeda seeking toxic chemicals as well as other conventional terrorist equipment,” the report said. “Some accounts suggested that Iraqi chemical experts may have been in Afghanistan during 2000.”

The British concluded that the contacts did not lead to “practical cooperation” because of mutual distrust.

“Intelligence nonetheless indicates that ... meetings have taken place between senior Iraqi representatives and senior al Qaeda operatives,” the report said. “Some reports also suggest that Iraq may have trained some al Qaeda terrorists since 1998. Al Qaeda has shown interest in gaining chemical and biological expertise from Iraq, but we do not know whether any such training was provided.”



# Fact Sheet: Failure to Extend Major Individual Income Tax Relief Provisions Beyond 2004

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In 2005, 94 million taxpayers would receive, on average, a tax increase of \$538 if Congress allows certain provisions enacted in the Jobs and Growth Tax Relief Reconciliation Act of 2003 to expire at the end of 2004.

- 70 million women would see their taxes increase, on average, by \$662.
- 46 million married couples would pay, on average, an additional \$906 in taxes.
- 38 million families with children would incur an average tax increase of \$902.
- 8 million single women with children would see their taxes increase, on average, by \$368.
- 11 million elderly taxpayers would pay, on average, an additional \$383 in taxes.
- 23 million small business owners would incur tax increases averaging \$784.
- Nearly 2 million individuals and families who currently have no income tax liability would become subject to the income tax.

## **The following provisions are scheduled to expire at the end of 2004:**

- The 2003 tax cut increased the child tax credit to \$1,000 through 2004. If this provision is not extended, the maximum child tax credit will decline to \$700 in 2005.
  - If the maximum child tax credit falls to \$700, nearly 28 million taxpayers will see their taxes rise, on average, by \$477.
  - The 2003 tax cut accelerated the expansion of the 10 percent rate bracket for single and joint filers through 2004. If this provision is not extended, the 10 percent rate bracket will end at \$6,000 (instead of \$7,250) for single filers, \$10,000 for head of households (instead of \$10,350), and at \$12,000 (instead of \$14,500) for joint filers.
  - If the increase in the 10 percent rate bracket is not extended, taxes will increase, on average, by \$84 for 73 million taxpayers.
- The 2003 tax cut increased the standard deduction for joint filers to equal twice the standard deduction for single filers through 2004. If this provision is not extended, the standard deduction for joint filers will be equal to 174 percent of the standard deduction for single filers in 2005.
  - 20 million taxpayers will receive an average tax increase of \$181 if the the 2003 tax cut expansion of the standard deduction is not extended.
- The 2003 tax cut increased the size of the 15 percent rate bracket for joint filers to twice the size of the corresponding rate bracket for single filers through 2004. If this provision is not extended, the end-point of the 15 percent rate bracket for joint filers will be 180 percent of the corresponding end-point for single filers in 2005.
  - Failure to extend this provision will increase taxes, on average, by \$460 for 12 million taxpayers.
- The 2003 tax cut increased the alternative minimum tax (AMT) exemption levels to \$58,000 for joint filers and \$40,250 for unmarried filers through 2004. If this provision is not extended, the AMT exemption levels will revert to \$45,000 for joint filers and \$33,750 for unmarried individuals.
  - The reduction in the AMT exemption levels will increase taxes, on average, by \$1,465 for nearly 12 million taxpayers.

# Millions of American Families are Benefiting from the President's Tax Relief

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- **Figures released by the Treasury Department demonstrate the real benefits of the President's tax relief for all Americans.**
  - As a result of the 2001 and 2003 tax cuts, Treasury expects a record number of taxpayers to receive refunds this year.
  - Due to the tax relief, the average refund so far this year has been almost \$2,100.
  - The Treasury Department estimates that these higher refunds and lower tax payments mean taxpayers will retain an extra \$50 billion when they file their taxes for 2003.

## **Background - The President's Tax Relief is Benefiting Millions of American Families**

- **As a result of the President's Economic Growth and Tax Relief Reconciliation Act of 2001 and Jobs & Growth Tax Relief Reconciliation Act of 2003, every taxpayer who paid income taxes will get tax relief this year.**
  - 109 million American taxpayers will see their taxes decline by an average of \$1,544.
  - A family of four earning \$40,000 will receive tax relief of \$1,933.
  - Nearly 5 million individuals and families will see their income tax liabilities completely eliminated.
  - 42 million families with children will receive an average tax cut of \$2,067.
  - 13 million elderly individuals will receive an average tax cut of \$1,795.
  - 25 million small business owners will save an average of \$2,853.
  - 26 million investors will save an average of \$798 from lower rates on dividends and capital gains, including 7 million seniors who will save an average of \$1,088.
  - Low-income families will also benefit from provisions that make the child credit refundable for more families and reduce marriage penalties.
- **President Bush has called on Congress to act now to prevent tax increases. If Congress does not act, failure to extend these tax cuts permanently would raise taxes on American taxpayers in future years:**
  - In 2005, 94 million taxpayers would face, on average, a tax increase of \$538.

- In 2005, the increased child credit, additional marriage penalty relief, and expanded 10-percent bracket will shrink, increasing the tax burden on a family of four earning \$40,000 by \$915;
  - In 2006, the small business expensing limit will shrink from \$100,000 to just \$25,000, increasing the cost of capital investments for America's small businesses;
  - In 2009, the top tax rate on dividends will increase from 15 to 35 percent, while the tax on capital gains will climb from 15 to 20 percent, raising the tax burden on retirees and families investing for their future; and
  - In 2011, the tax rate relief, new 10-percent tax bracket, death tax repeal, marriage penalty relief, small business expensing, and all the remaining tax relief enacted over the past three years will sunset, resulting in tax increases for every individual American man or woman who pays income taxes.
- **The tax relief proposed and signed into law by President Bush was the right action at the right time for our economy. President Bush's tax relief has helped millions of families and businesses and continues to drive job creation.**
    - Without the President's tax relief, by the end of last year real GDP would have been more than 3 percent lower and the unemployment rate would have been more than 1 percentage point higher, with more than 2 million fewer Americans working.
    - Real after-tax incomes are up 11% since December 2000, substantially higher than after the last recession. The President's tax relief is an important component of that increase.
  - **The impact of the President's economic program, including the tax relief, can be seen throughout the economy.**
    - Job creation is accelerating, with over 1.5 million jobs created since last August and 10 straight months of job gains. Meanwhile, the unemployment rate remains below its average for the 1970s, 1980s, and 1990s.
    - Economic growth since last summer has been the fastest in nearly 20 years.
    - Buoyed by the return of the stock market and strong home values, household wealth is at a record high.
    - Retail sales excluding motor vehicles are currently growing at the fastest quarterly rate in over 20 years.
    - Homeownership is at an all-time high – 68.6 percent – with substantial gains among minority homeowners.

**America has a choice: It can continue to grow the economy and create new jobs as the President's policies are doing; or it can raise taxes on American families and small businesses, hurting economic recovery and future job creation.** A pro-growth economic agenda, a strong education system, and help for American workers to gain the skills to secure good jobs are the right ways to respond to the challenges of our growing and changing economy.

# Frequently Asked Questions

*Frequently asked questions regarding our economic recovery.*

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## **Are you concerned that inflation will cut into the gains consumers have made and threaten the recovery?**

- Inflation is still low by historical standards. Core consumer price inflation has been 1.7 percent over the last 12 months, compared to an average 12-month rate of 3.3 percent over the last 20 years. Last year when growth had yet to really take hold, there was talk of deflation. Fortunately, our economy is now strong and growing.
- Employment is up (added 112,000 jobs in June and 1.5 million jobs since August);
- Retail sales outside of motor vehicles have increased at an 11.6 percent annual rate in the first 5 months of 2004, more than double the average annual rate of growth over the last decade; and
- Business confidence is up (the Conference Board CEO confidence survey is at the highest level in the last 20 years, and the ISM surveys of manufacturing and non-manufacturing have indicated expansion for several months).
- We will keep a close watch on inflation. The Federal Open Market Committee recently said that “long-term inflation expectations appear to have remained well contained.”

## **Are the President’s policies creating a “middle class squeeze” where people’s wages are going down while other costs go up?**

- The pessimists look at all the economic progress we have made and claim that American families are still falling behind. But they don’t offer much evidence. In fact, as our economy has come back, America’s families are doing a lot better. Because of the President’s tax relief and low inflation, families have more money to spend, not less. Real disposable income has risen 11% since the beginning of 2001. Total compensation is up nearly 4% in the last year. Housing is more affordable – as are clothing and automobiles. A near record number of families, including minorities, own their own home today. Higher growth and higher productivity are leading to better paying jobs. We are seeing job growth across the country and in every industry sector, including new jobs in high-paying industries such as construction, education, and professional services. And, these are good jobs in growing industries.

**Some argue that the new jobs being created are replacing good-paying jobs with low-paying jobs. Is that true?**

- We are seeing broad-based job creation throughout the economy and in virtually every sector, including traditionally high-paying sectors such as information, construction, financial activities, and professional and business services.
- Real disposable personal income – the amount of money Americans have in their pocket – has increased 11% since the President took office.
- Total compensation – wages and benefits – has increased nearly 4% during the last year.

**How do you respond to claims that the President's tax cuts benefit only the rich?**

- The tax cuts help all Americans who paid income taxes, especially those at the lowest end of the income brackets. 111 million taxpayers have more money in their pockets as a result of the tax relief, and they are putting that money to work for themselves and their families.
- The 2003 tax relief package gave larger tax reductions to lower-income groups. The average income tax reduction ranges from more than 15 percent for taxpayers with income under \$30,000 to about 11 percent for taxpayers with income over \$100,000. The average income tax reduction across all income groups is 11.9 percent.
- Because the percentage reduction in income taxes is greatest for families with incomes under \$50,000, these families will pay a smaller share of the total income tax burden under the 2003 Jobs and Growth Act than they did before.
- Conversely, families with income of \$100,000 or more receive a smaller than average percentage reduction in income taxes so they will pay a larger share of the total income tax burden. Under the Jobs and Growth Act, the share of income taxes paid by families with incomes of \$100,000 or more will rise to 73.3 percent.

**Is the President concerned about the impact of rising interest rates?**

- The President is pleased that the economy is growing as a result of sound fiscal and monetary policies. While we do not comment on or predict interest rates, the President has great confidence in Chairman Greenspan and the Federal Reserve to deal with those issues.

**What can the President do in the short term to address the skyrocketing gas prices?**

- The President is very concerned about gas prices. High gas prices place a burden on the family, the budget, and the economy.
- High gasoline prices reflect a tight supply, specifically increasing demand and limited refinery capacity. These are problems that have been years in the making and cannot be fixed overnight. We need comprehensive solutions, not patchwork crisis management. Congress needs to finish action on the President's energy plan so we can be less dependent on foreign sources of energy.

- The most important thing the government can do in the near term is to ensure that markets work as effectively as possible. The Department of Energy will continue to monitor the markets and energy supplies and keep industry, consumers, and policy-makers informed. The Administration will continue to monitor “price gouging.” We will respond to local incidents that may produce regional price spikes.

#### **Why not temporarily repeal some or all of the 18.4 cent/gallon Federal gas tax?**

- The President is always interested in ways to reduce the tax burden on American families and consumers. But repealing part or all of the gas tax would reduce critical funding for fixing America’s highways and bridges.
- The President wants to move forward on a long-term solution to a problem that has been very long in the making. A temporary repeal of the gas tax does not solve the underlying long-term problems causing high gas prices – namely, insufficient domestic refining capacity and increased demand for motor fuels have led to high world oil prices, especially in Asia and the United States.

#### **Will the President tap or defer shipments into the Strategic Petroleum Reserve?**

- No. The President will not play politics with the Strategic Petroleum Reserve (SPR). The SPR is vital to our national security, and filling it to its 700 million barrel capacity is necessary to maximize protection for American consumers and our economy against severe oil supply disruptions, which could result from a variety of events, including natural disasters, industrial accidents, and terrorist attacks.
- Premature use of the Strategic Petroleum Reserve would put America in a dangerous position in the war on terror. We face a tough and determined enemy on all fronts, and we must not take any actions that would weaken our national security.
- The impact on gas prices of filling the SPR is negligible (quite possibly zero or just 1.0-2.5 cents per gallon).
- Senate Democrats could have acted to increase domestic supply by up to 1 million barrels per day by voting to open ANWR to environmentally sound oil and gas exploration. Had the previous Administration approved this action in 1995 when Congress authorized it, new oil supplies from ANWR would be available today.

#### **Job growth has picked up. Do you have any predictions for how many jobs will be created this year?**

- The Administration is pleased that 1.5 million jobs have been created since August. Our goal is to have everyone working who wants a job – but we are not going to predict future job numbers.

- To create more jobs, we must make sure America remains the best place in the world to do business. President's six-point plan:
  - Tax relief was vital to getting the economy moving again, and for the sake of job creation, it must be made permanent.
  - We need fewer regulations, so business owners can focus on their business rather than spending hours on paperwork.
  - We need legal reform to cut down on frivolous lawsuits. Even the threat of frivolous lawsuits puts a damper on job creation, investment, and expansion.
  - We need to address the high cost of health care and help the uninsured obtain coverage through association health plans, health savings accounts, and medical liability reform.
  - We need affordable and reliable supplies of energy so we can reduce our dependence on foreign oil.
  - Finally, we need to open more foreign markets to U.S. products and services.

### **What is the Administration doing to help the manufacturing economy?**

- We've taken action to help stimulate the economy and promote an environment for job creation – for manufacturers and all American workers.
  - Tax relief, the four-fold increase in small business expensing and the bonus depreciation created real incentives for manufacturers to invest and grow for the future.
- We are beginning to see signs of a manufacturing recovery:
  - National manufacturing employment is up by 64,000 since its low in January;
  - More manufacturers have been reporting widespread increases than at any time in the last 20 years;
  - Manufacturers reported expansion in 19 out of their 20 industries in May; and
  - In March, new orders for manufactured durable goods saw the largest increase since July 2002.
- Continuing to work to help manufacturers. The six-point plan would be of particular benefit to manufacturers by offering them relief from rising health, energy, litigation costs, and expanded trade opportunities.
  - Health Care: Manufacturers tend to offer their employees health care benefits more often than other sectors.
  - Energy: Many manufacturers are large consumers of energy.
  - Litigation: Class action, asbestos, and medical liability reform would help, given that manufacturers offer health benefits.
  - Trade: Australia Free Trade Agreement as example of open trade on a level playing field.
    - Signed Tuesday, May 18th.
    - Eliminates nearly all tariffs on U.S. manufactured goods.
    - Will help American manufacturers sell another \$2 billion to Australia each year.



- The President has announced a new Assistant Secretary for Manufacturing, Al Frink, and has announced the establishment of the Administration's Manufacturing Council, which will be chaired by the Commerce Secretary and comprised of a diverse group of manufacturers.

#### **What is your plan to make sure that American jobs are not increasingly outsourced?**

- It is terrible to lose a job for any reason. Outsourcing is an issue that we face in a changing, global economy. The question is: How do we prepare American workers to compete in a global economy? The best way to do that is to:
  - Open markets and ensure fair trade – not retreat to isolationism;
  - Ensure that America remains the best place to do business by creating conditions for American companies to compete and outperform the world;
  - Create these conditions also to help attract foreign companies to set up shop in the United States and employ Americans – 6.4 million Americans work for foreign-owned firms; and
  - Lend a helping hand to those who have lost jobs and make sure that America's workers are trained and prepared to seize the opportunities of the future.
- The President's FY 2005 budget commits significant resources to help displaced workers find jobs.
  - Job training and employment assistance: The President's FY 2005 budget proposes \$23 billion for job training and employment assistance.
  - Jobs for the 21st Century: The President has proposed more than \$500 million for his new Jobs for the 21st Century initiative to prepare U.S. workers to take advantage of the better skilled, higher paying jobs of the future.
  - Trade Adjustment Assistance: In 2002, President Bush signed the law expanding the Trade Adjustment Assistance program, which will provide \$1.1 billion in FY 2005 for training and cash benefits for workers dislocated by increased imports or a shift of production to certain foreign countries.

#### **Does the budget deficit threaten to harm the economy in the long run?**

- Our budget reflects the country's most important priorities: fighting the war on terror and ensuring economic growth and recovery. The President will continue to provide whatever it takes to defend our country, protect our homeland, and promote economic security.
- Economic growth, fiscal discipline, and good stewardship of taxpayers' dollars will help us meet the President's goal of cutting the budget deficit in half in five years.



### Shouldn't the Administration take a tougher stand on China?

- As we open new markets to U.S. exports, we are working to ensure a level playing field for American companies and workers by reducing trade barriers, working with trading partners to ensure they abide by their trade obligations, and resolving trade disputes because results are what matter most.
- We have enforced our trade laws to ensure that American companies and workers get a fair shake. To name a few examples with regard to China:
  - Filed first-ever WTO enforcement action against China for its discriminatory taxation of U.S. semi-conductors in a case that could broadly benefit U.S. manufacturers;
  - Invoked first-ever China WTO textile safeguard provision on three different product categories;
  - Pressed China to assure access for U.S. agricultural products, resulting in record American soybean exports to China;
  - Worked through the U.S.-China Joint Commission on Commerce and Trade to resolve trade disputes on important high-tech issues, agriculture, and intellectual property enforcement issues;
  - The Treasury Department has a robust ongoing dialogue with China on the issue of currency values. The best economic system is one based on free trade, free capital flows, and market-based flexible exchange rates.
- The Administration is focused on producing real results in our economic relationship with China. U.S. exports to China are growing at record levels – up 76% in the last three years, including the exports of products produced by small- and medium-sized businesses.